SkyREPORT

June 1994
Volume 1; Number 5

The NFL Kicks Off...

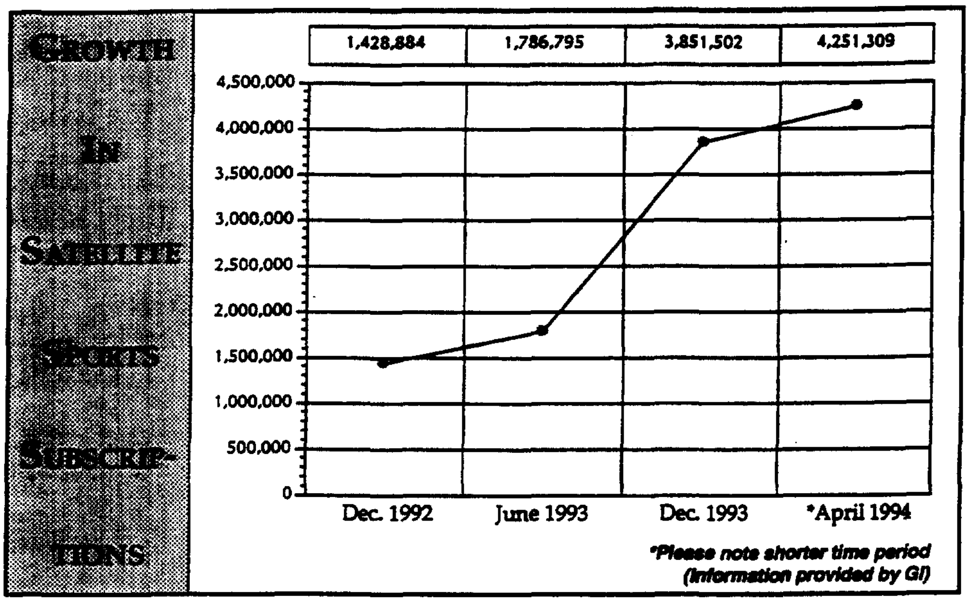
Major Sports Realignments

Over the past three years, satellite sports subscriptions have soared by 526% and today everyone from the local high school to the **NFL** wants to see its teams on DTH tubes.

Some of sports' astonishing growth in home satellite may be due to the scrambling of more sports signals. Plus the VC II+ data stream has foiled at-home pirates to date and thus has helped boost the numbers.

Regardless, the fact remains that sports succeeds at getting subscribers. **ESPN**, for example, has seen its subscriber base grow by 75% in the past six years, while **ESPN2**, launched just last October, already reaches more than 14 million cable and home sat sets. **FOX** expects to reap handsome rewards from its $1.58-billion bid for professional football. Additionally, no fewer than five new sports channels have either launched or expect to launch by year's end.

In the DTH business, enthusiasm for sports continues in high gear. In fact, *Jim Lockhart*, GM of programming distributor **Digital Interactive Research** points out that , routinely, "About 65% of the people who call in to order a subscription express a definite interest in some type of sports



programming."

Glen Gurgiolo, VP and GM of **Liberty Satellite Sports**, attributes the sports programming boom to the multi-channel environment.

"There just isn't enough programming to fill all these channels," he says. "I mean, how many reruns of Mannix can people watch?"

For many of those people, the key interest in sports now centers around the NFL's **Sunday Ticket** -- the new sports packaging idea which many believe has set the precedent that may have reshaped the future of sports programming..

For those few of you who have missed NFL action across this summer, the league has packaged its games into one single-satellite service that offers subscribers all NFL Sunday games as well as pre- and post-game coverage.

While sports bars, which previously received random feeds for free, may set up a hue-and-cry over the fee structures, NFL's *Tola Murphy-Baran* points out

Regional Sports Networks Come to DBS Via PRIMESTAR

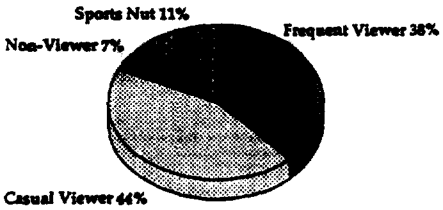
PRIMESTAR, the only operating DBS service as of late May, has announced an agreement with **Liberty Satellite Sports** to provide a package of regional sports networks to its subscribers by midsummer.

The package will offer restricted coverage of professional teams as well as comprehensive coverage of the NHL, college sports, auto racing, golf, tennis, boxing, soccer and a wide range of other sports. It will be part of PRIMESTAR's basic lineup.

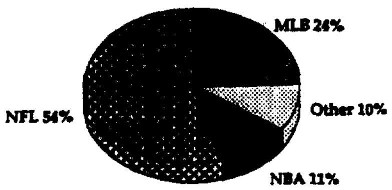
Channels To Be Offered By PRIMESTAR	
[illegible] Ticket	[illegible] Sports [illegible]
[illegible] Sports Northwest	Home Sports [illegible]
[illegible] Sports System	[illegible]
[illegible] Intermountain	[illegible]
West	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible] Rocky Mountain	[illegible]

NFL Sunday Ticket Research

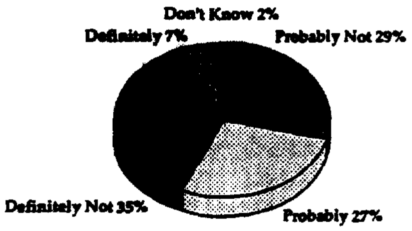
Response to Watching NFL Football



Favorite TV Sport



Subscribe to NFL Sunday Ticket?



• *Target Management, Inc., (203) 834-2104, of Wilton, Conn., polled a nationally-representative sample of 1200 satellite dish owners for the NFL.*

that the bars can now advertise their games (a significant departure from the past). They are also guaranteed all games with the exception of local games which fall under the NFL blackout rules.

There are approximately two million authorized VideoCiphers in the country, and Murphy-Baran indicates that the NFL intends to attract 15 to 20 percent of that number.

There is a chance that Sunday Ticket will appear on DBS on a trial basis by late fall. The bets are on **DIRECTV** to pick up the service -- and if and when it does, another major player in the sports programming business will be introduced.

According to *Tom Bracken*, Director of Communications at DIRECTV, the company is presently negotiating with all of the major professional sports for the right to use signals of out-of-market games in its own packages.

The DIRECTV plan would give DSS dish owners access to all games being played throughout the country either via a season-ticket package (all teams, all games), a team package (all games played by a certain team) or single game coverage.

Bracken expects the company to have its first deal finalized by fall when DIRECTV's second satellite, DBS-2, adds its channels to the service capacity.

SUNDAY TICKET PRICES

Residential
Until Aug. 20 $99
Then $139

Commercial

>100 seats	$699
101 to 200	$1,299
201 to 600	$1,899
>600 seats	$2,499

Whether DIRECTV will offer Sunday Ticket in its entirety, as the NFL sells it now, or whether it will be offered to subscribers in a variety of "mini"-packages is still murky."We are hoping to go with our own package," says *Linda Brill* of DIRECTV, "but we are still negotiating with the NFL, so we don't know what will happen."

For regional sports channels, Liberty's **Satellite Sports Network** and the **SportsChannels** currently offer over 100,000 hours of sports coverage but have extremely limited coverage of professional sports. With the exception of **NHL** coverage, all other out-of-market professional games are blacked out.

According to *Buzz Priestly* of **Liberty Satellite Sports**, as teams search for additional revenue they will look at all accessible options: single-game PPV, season-long subscriptions, cable, broadcast networks and regional networks•

	Programmer's Clearinghouse [illegible]		Turner Vision [illegible]		Superstar Connection [illegible]-5772	
	Monthly	Annually	Monthly	Annually	Monthly	Annually
ESPN	n/a	30.40	2.00	23.00	2.00	25.00
ESPN2	.39	4.40	^incl.	both^	^incl.	both^
Prime Network	.95	8.40	[illegible]	7.95	2.00	15.00
SportsChannels	10.95	119.40	9.50	98.00	9.50	108.00
SSN	10.95	119.40	9.50	99.00	9.50	108.00
Midwest SC	6.95	73.40	n/a	n/a	7.95	108.00
WTBS	1.95	11.40	1.30	14.50	2.00	19.00
KTLA	1.95	11.40	.99	11.80	n/a	n/a
WGN	1.95	11.40	1.75	21.00	n/a	n/a
KTTV/WPIX	2.95	23.40	1.50	17.00	n/a	n/a
WSBK/WWOR	2.95	23.40	2.50	27.00	1.50	15.00

(Listings are based on a la carte pricing. They do not reflect any special packages offered by distributors.)

New Sports Channels to Test Market

In today's flourishing sports market, new channels are popping up like fly balls in spring training. The following is a list of a few new entrants:

La Cadena Deportiva Nacional

Launched in November, La Cadena is a Spanish-language sports network based in California that broadcasts mainly soccer matches, but also offers limited coverage of L.A.-area teams.

"We want people to think of us as the soccer network." says *Eva Bustos*, Director of affiliate marketing. Professional soccer leagues covered include those in Argentina, Spain and Mexico. La Cadena has about 800,000 subscribers on cable and satellite.

Sportscope Television Network

This 24-hour Canadian network will offer continuous updates, lines, game summaries and other sports news. Its main attribute will be the ability to deliver this news in the fastest possible manner.

"We will be able to transmit results in real time plus 30 seconds," says *Barry Crowell*, Sportscope GM.

Launched in Canada in January 1993, Sportscope has over 800,000 subscribers on 20 Canadian cable systems. The company is currently negotiating to make STN available on American cable and satellite systems.

The Golf Channel

•This twenty-four hour channel will show two live tournaments a week, golf instructional shows, and great classic tournaments from the past. It will have about 40 European PGA events, 6 domestic PGA events, 12 LPGA events, numerous Nike events and both the Australian and South African tours.

Matt Scalici, VP of Technical Operations, estimates TGC's launch date as January 1995. The channel will appear on Galaxy 7 and on DBS on DIRECTV.

Classic Sports Network

Great sporting events and athletes from the past will be available 24-hours a day from this channel that plans on presenting old classics.

"We are shooting for the broadest possible range of what the American sports fan would consider the major sports and events," says *Steve Greenberg*, President of CSN.

CSN does not have a specific launch date, but Greenberg says sometime in the fall of this year would be realistic. CSN will be available on satellite, although a decision on scrambling the signal has not yet been made.

NewSport Television

Launched on Feb. 1, this 24-hour sports news and information channel owned by Prime SportsChannel Networks already has over 7 million cable subscribers.

NewSport has no satellite subscribers, but that will change, promises *Mike Ghibandi*. "We haven't had a chance to develop a TVRO-market, but we will look more into that beginning next month." NewSport can be received unscrambled on SatCom C1, transponder 16.•

	Turner Home Satellite 1-800-[illegible]		National Programming 1-800-444-3474		Cox Satellite Programming 1-800-[illegible]		Galaxy Satellite Programming 1-800-[illegible]	
	Monthly	Annually	Monthly	Annually	Monthly	Annually	Monthly	Annually
ESPN	2.50	25.00	n/a	25.00	2.25	24.75	n/a	28.95
ESPN2	n/a	n/a	1.99	2.95	^incl.	both^	n/a	5.00
Prime Network	1.50	15.00	1.99	8.50	n/a	n/a	.99	9.99
SportsChannels	10.90	109.00	11.99	109.00	12.50	120.45	9.95	104.95
SSN	10.40	104.00	11.99	109.00	12.50	120.45	10.95	119.95
Midwest SC	n/a	n/a	n/a	n/a	12.40	136.40	n/a	n/a
WTBS	2.00	20.00	.99	11.60	2.25	24.75	1.09	13.99
KTLA	n/a	n/a	.99	9.50	1.25	13.75	1.19	11.99
WGN	2.00	20.00	.99	9.95	1.25	13.75	1.09	12.99
[illegible]TV/WPIX	n/a	n/a	n/a	n/a	2.25	24.75	2.29	22.99
WSBK/WWOR	n/a	n/a	n/a	n/a	2.45	26.95	1.99	24.99

Public Market for Home

From the backwater years of the 1980s to the star-spangled announcements of 1994, the home satellite industry continues to gain ground as it approaches a billion-dollar business status for this year. In 1989 only a handful of public companies had interests (some of them barely visible) in home satellite, but today well over a dozen public companies hold major investments in the business. While certainly not immune to the vagaries of the market, the stocks of these companies have, on the whole, shown gains in the past five years. In the first five months of '94, many home sat stocks dropped with market-wide dips, but as May ends, and DBS service begins, home satellite stocks appear back on an upward swing. (See chart, p. 7)

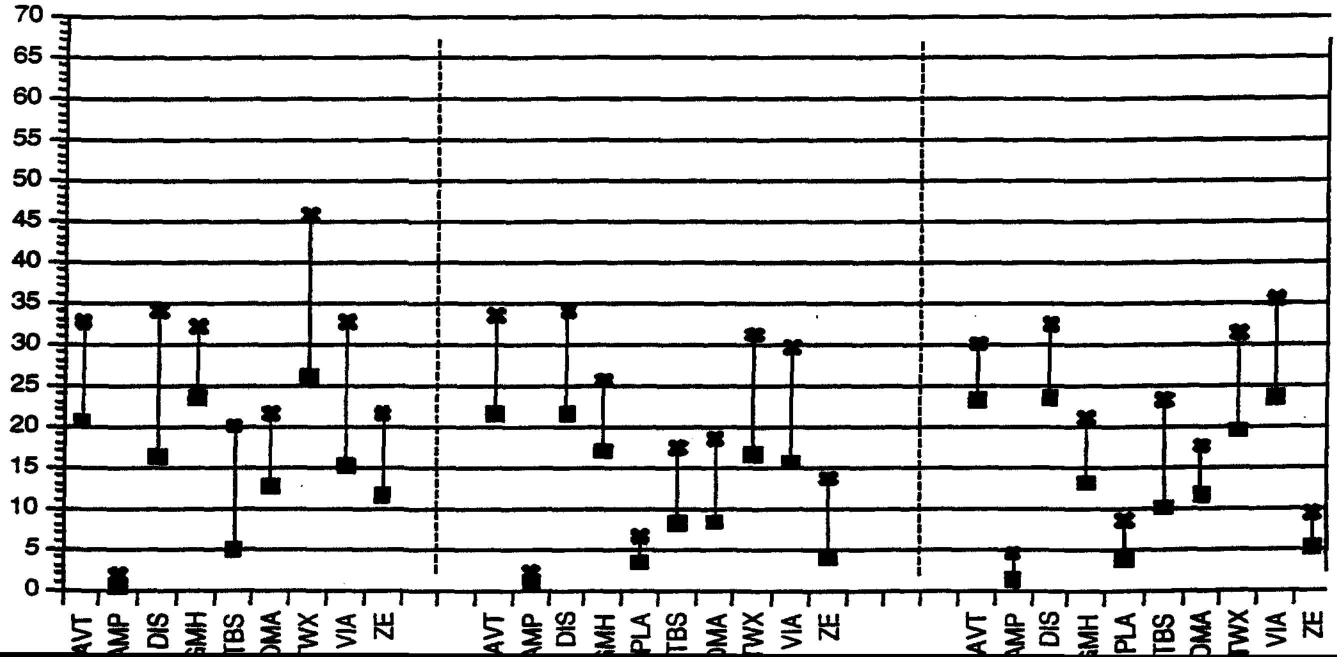
To help track the industry's growth, and the fortunes of its public companies, **SkyREPORT** has prepared this brief semi-annual look at the status of selected home satellite concerns.

<u>Channel Master Looks to DBS Boom:</u> In addition to its already considerable C-band feedhorn market, **Channel Master**, a division of **Avnet Inc. (AVT)**, produces those 18" dishes long trumpeted by **DIRECTV**. With DBS majordomos bullish on 1994 sales potentials, Channel Master looks to begin adding DBS dollars to its parent's some $3^{+} billion expected revenue stream for the year ending July 1, 1994. For the 3rd quarter ending April 1, Avnet reported *some $900 million* in sales with a net income of $25.3 million.

<u>Cal Amp Comes Off Disappointing 4th Q:</u> For **California Amplifier (CAMP)**, whose product line includes DTH feedhorns and LNBs, the fourth quarter ended 2/26/94 looked bleak as a combination of management shake-ups, product mix and price competition drove year-end net income down by nearly 50% from $3.05 million in 1993 to $1.556M. Under new CEO *Ira (Ike) Coron*, a former VP/GM with TRW, the company expresses confidence in a profitable 1st Q.

<u>Disney Ups and Downs:</u> On the up side, the **Disney Co (DIS)** has kept its growth on the healthily positive as 2nd quarter '94 revenues tipped over the *$2.275 billion* mark versus $2.026B a year earlier. Net income also rose for the period, but profits fell short of the company's 20% growth target. To boost performance, Disney executives are pursuing

HOME SATELLITE STOCKS:



Satellite Stocks Grows

a plethora of growth opportunities -- which has led Standard & Poor's Corp. to express concern over (among other points) the company's "larger financial exposure to the volatile film business as it expands production and the risks of its proposed (new) theme park and planned foray into the cruise business." On the film side, Disney is continuing its volume strategy of releasing up to 60 films per year. While, as S&P suggests, this policy has yet to pay off on the bottom line, The Disney Channel, a C-band stalwart which also has berths on both **DIRECTV** and **PRIMESTAR**, stands to gain an entertainment bonus as first-run movies for home release become increasingly accepted.

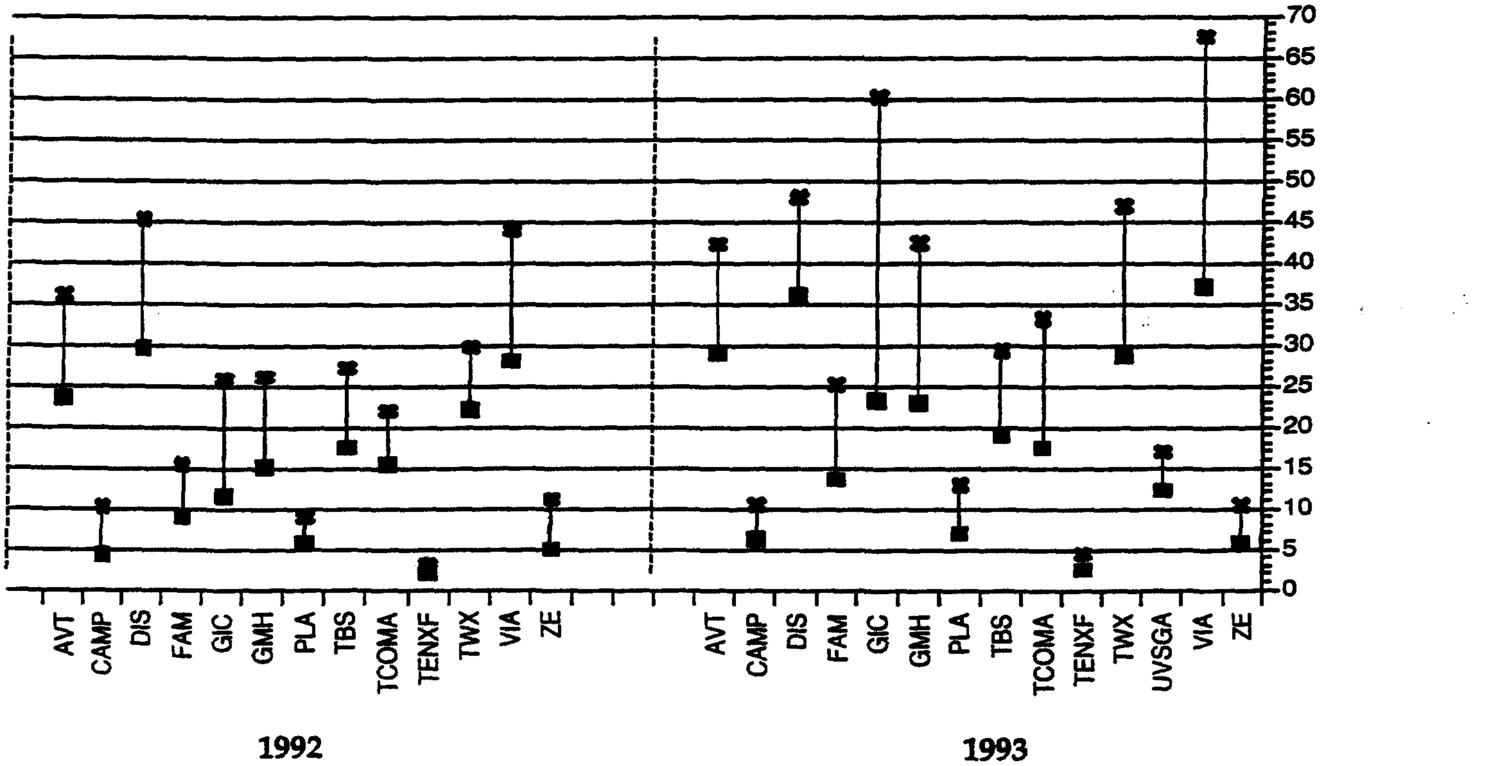
Family Channel Up; Company Down: While the Family Channel achieved record $15+ million cash flow for the first quarter 1994, its parent, **International Family Entertainment Inc. (FAM)**, saw income dive to $2.607 million from '93's $7.362. The downturn is attributed primarily to start-up costs of the Family Channel UK and the Cable Health Club.

GI Expands Its Position: With sales up nearly 30% over last year and '93 year-end income tipping $90 million, **General Instrument Corp. (GIC)** continues to dominate C-band markets with its encryption technology and authorization center. With new media choices emerging every day, the company has also made a grab-bag of agreements to ensure itself of a win-win position at the end of the millennium.

To wit: As a key **PRIMESTAR** supplier, GI currently holds a $25 million contract to provide DigiCipher technology to the service. Also, in conjunction with **Scala, Inc.**, GI recently unveiled a new technology for on-screen video guides and other multimedia applications.

In a joint venture with **Intel Corp. (INTC),** General Instrument has signed memoranda of understanding with **TCI** and **Rogers Cablesystems** to develop products necessary to let cable companies deliver data to personal computers at vastly faster rates than are possible today. Plus, GI has already emerged a winner in the RBOC-video wars with the signing of agreements to provide analog and digital addressable set-top terminals, end-to-end access control, encryption and digital compression technologies to **Bell Atlantic**'s multimedia network due for limited launch at the start of 1996.

HIGHS & LOWS, 1989 - 1993



GMH Service Ready To Roll: By the end of the May 1994, **General Motors** -- and its separately traded **Hughes (GMH)** -- were poised to snag their first DBS revenues as **DIRECTV** prepared to unveil its service in Jackson, MS. For GM, DIRECTV represents a billion-dollar investment on 1993 revenues of $13.517 billion and 1st Q '94 revenues of some $3.587 billion. GM's Telecommunications and Space segment contributed $559.5 million to the company's 1st Q figures with increased sales of transponders credited for much of that amount.

Playboy Sees Downturn in 1994: For the nine-month period ended March 31st, **Playboy Enterprises (PLA)** -- purveyor of cable and home satellite's Playboy Channel -- saw revenues dip slightly while net income plummeted by nearly $11 million, from $903,000 in '93 to ($10.078 million) for '94. The loss was attributed to restructuring charges; a reduction in the carrying value of inventories and establishments of reserves plus a substantial operating loss.

Revs/Outlook Soar at Tee-Comm: With near-tripled growth of its DTH programming package subscribers plus increased demand for its new generation Star Trek receivers, Canada's **Tee-Comm (TENXF)** saw revenues boom from some $7.5 C million in the 1st Q 1993 to just over $16 C million for the same period in '94. In late 1994, the company also plans to launch a Canadian digital programming service with up to 150 channels delivered to a 24" dish.

According to Tee-Comm Chairman and CEO *Al Bahnman*, the company has had discussions with a recently-announced DBS venture backed by **Western International Communications, Ltd.**, **Canadian Satellite Communications Inc.** and **BCE Inc.** on "how we might cooperate." The WIC/BCE venture aims at creating a Canadian DBS entrant to help rebuff **DIRECTV**, and thus prevent a "domination" by U.S. programming.

TCI Boosts Home Sat Interests: While still barely a blip in the company's $1+ billion revenue stream, the home satellite industry is gaining ground at **Tele-Communications Inc. (TCOMA)** through the company's **Tempo** unit, **PRIMESTAR,** plus soon-to-be re-absorbed **Liberty Media** and **VisionGroup.**

In the DBS arena, the TCI has a 22% stake in PRIMESTAR plus two satellites now under construction by Tempo. With one of these due to launch as early as next year, some observers say PRIMESTAR's future may combine with **EchoStar**'s planned 1995 DBS service. Also on the DTH front, Liberty's (soon TCI's) **Encore** and **Starz!** channels are looking for subscriber boosts via PRIMESTAR and **DIRECTV,** while VisionGroup plans dozens of new channels to be available primarily on home satellite.

Takeover Rumors Buffet Time Warner: Rumors of takeovers -- variously by **Seagrams, Bell Atlantic, US West, BellSouth** -- boosted **Time Warner (TWX)** stock in early May. However the ardor had apparently cooled by month's end. For the quarter ending 3/31, Time Warner saw revenues of $3.45 billion and a net loss of $51 million -- more than three times the '93 1st Q loss. The company's **HBO** division, home to DTH's vastly popular HBO and Cine-max, showed record 1st Q profits of $61 million.

Turner Boosts Home Sat & Share Numbers: With its home satellite subscribers rapidly approaching the 5.7 million-mark, **Turner Broadcasting** continues as a major DTH player. And with its programming due for launch on **DIRECTV**, the company stands to win big in a projected DBS boom. In other news, Turner is seeking more voting power for the company's Class A stock -- a move that would greatly enhance *Ted Turner*'s control and, some analysts believe, could lead to a major acquisition by the company. Meanwhile, in 1st Q results, Turner reported a loss of ($13.6 million), a significant improvement over the ($285 million) loss of a year ago.

Viacom Write-Offs Drive Quarterly Loss: **Viacom Inc. (VIA)**, which has significant interests in the DTH business via its MTV, Nickelodeon and Showtime channels, took a $431.6 million loss in the 1st Q of 1994 after extensive write-offs related to the buyout of **Paramount.** Meanwhile the company's merger with **Blockbuster (BV)** appeared to bust while the long-discussed sale of its cable systems moved in the direction of a reorganization with a new company expected to be formed with **TCI.** In late news, Viacom obtained a $6.8 billion credit line to refinance its acquisition of Paramount.

United Video Nearly Doubles Revs: With action led by the company's **Superstar** home satellite unit, **United Video Satellite Group (USVGA)** saw 1st Q revenues for 1994 jump to $42.992 million over '93's $22.038 M. Superstar, led by *Rick Brattin*, boosted home sat dish customers by 80% and revenues by about 179%. In 1993, Superstar made an approximate 4.6% profit with net income of $3 million on revenues of $65 million.

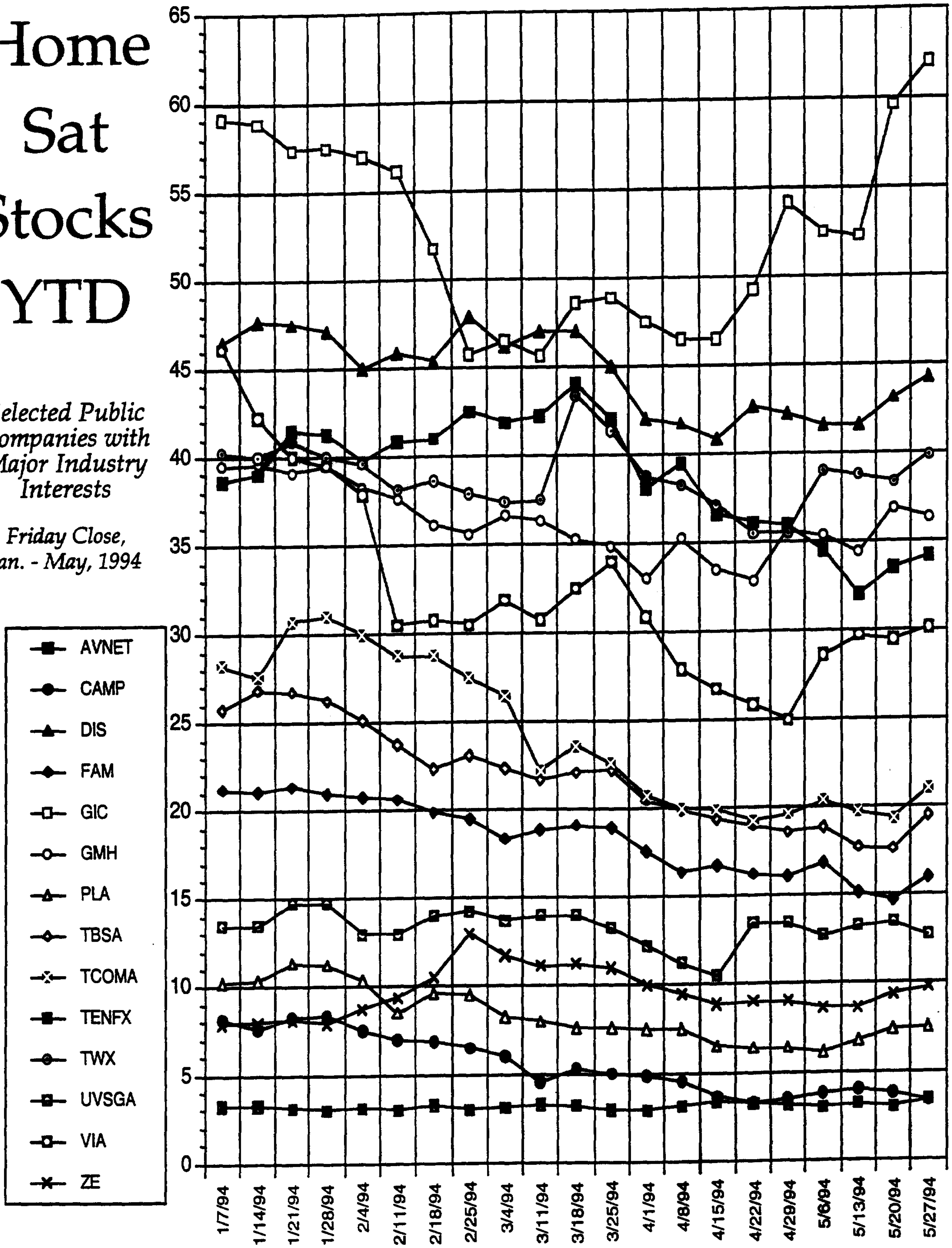
Zenith Shrinks Losses, Adds New Products: **Zenith Electronics (ZE)**, whose products include set-top receivers for DTH systems, recorded a $11.9 million net income loss in the 1st Q '94 as opposed to a $21.8 M loss for the same period in '93. For the future, Zenith has announced an agreement with **Philips Consumer Electronics** and **Compression Labs Inc. (CLIX)** to develop, manufacture and market digital video-on-demand and hybrid digital/analog set-top boxes for full-service digital and analog networks.•

(Information culled from Dow Jones Reports, company publications and interviews, and other sources.)

Home Sat Stocks YTD

Selected Public Companies with Major Industry Interests

Friday Close, Jan. - May, 1994



April Shipments Soar;

Despite last month's gloomy projections, April brought bouquets to the home satellite industry as system shipments soared to the 55,000 mark. Big winners for the month were IRDs while antennas and Ku-LNBs also edged up. A portion of the shipments may be attributed to the wilting residential pirate industry, but overall figures indicate that the C-band business is going strong despite -- or perhaps in part because of -- DBS launches.

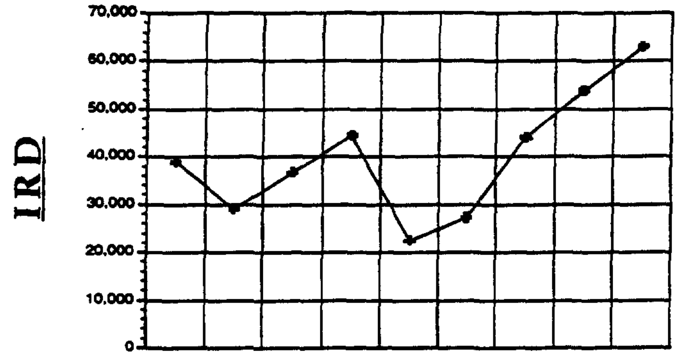
In a side note, look for non-IRD shipments to boom in late spring. According to manufacturers, the cheaper models are practically flying to Mexico as that country's people add home sat systems in order to receive World Cup soccer coverage.

In contrast to strong April numbers in the rest of the business, feedhorn sales skidded after enjoying banner sales in bitter winter months when unusually cold weather caused numerous break-downs. Overall April numbers for feedhorns fell to 59,735 with Ku and C/Ku band products taking the biggest hits. Feedhorn manufacturers predict further down-turns for the final May numbers.•

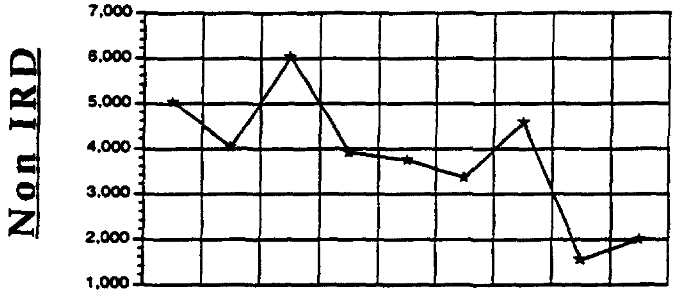
***Editor's Note:** With the great majority of home satellite equipment manufacturers now reporting shipment figures, we have revamped these pages to make them more useful to you. Each category is now listed separately with actual numbers printed at the bottom of each chart. We have continue to work on improving our domestic/international breakouts, which may affect some of the numbers shown here, especially in the late winter months.*

If you have any comments, please call us. We consider SkyREPORT a work in progress and we welcome your input.

RECEIVERS



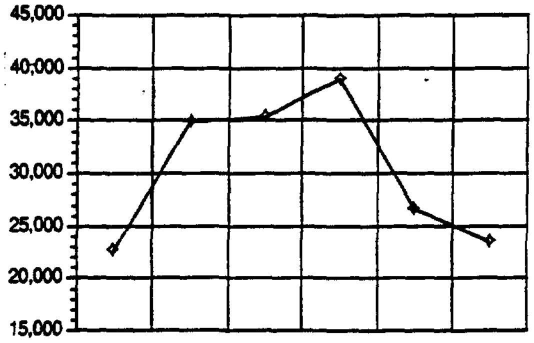
	SEPT 93	OCT 93	NOV 93	DEC 93	JAN 94	FEB 94	MARCH 94	APRIL 94	MAY (PROJ)
Total IRD Shipments	39,000	29,000	36,750	44,500	22,500	27,260	44,075	53,910	63,067



	SEPT 93	OCT 93	NOV 93	DEC 93	JAN 94	FEB 94	MARCH 94	APRIL 94	MAY (PROJ)
Total Non IRD Shipments	5022	4025	6015	3900	3750	3342	4563	1532	2000

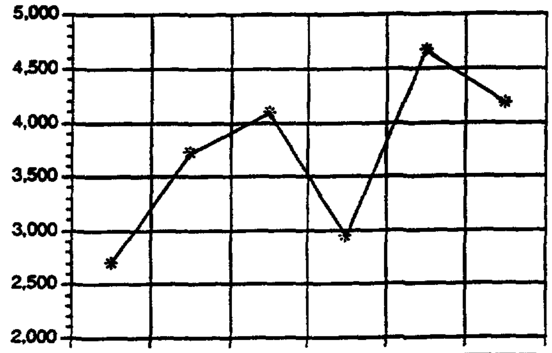
LNB

C-LNB



	DEC 93	JAN 94	FEB 94	MARCH 94	APRIL 94	MAY (PROJ)
Total C-LNB Shipments	22665	34985	35368	38954	26528	23509

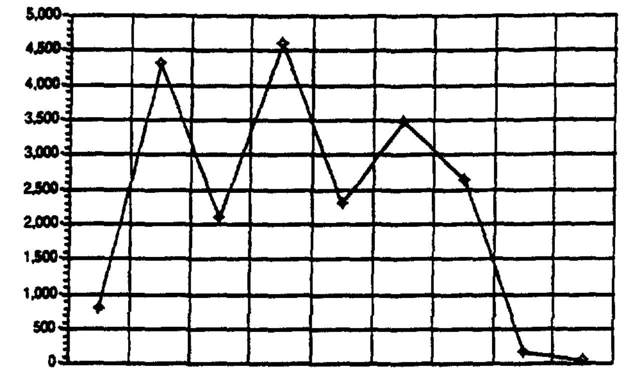
Ku-LNB



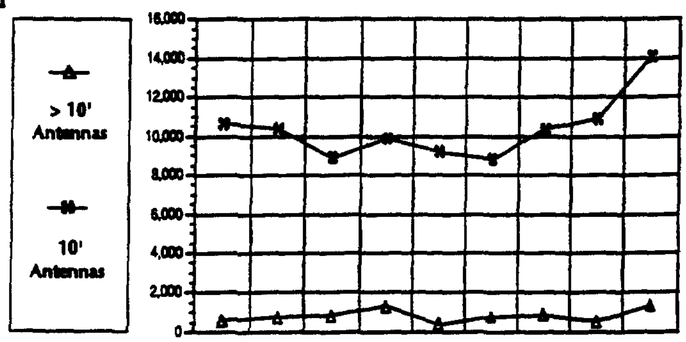
	DEC 93	JAN 94	FEB 94	MARCH 94	APRIL 94	MAY (PROJ)
Total Ku-LNB Shipments	2696	3719	4092	2938	4659	4174

May Projections Vary*

Ku Band

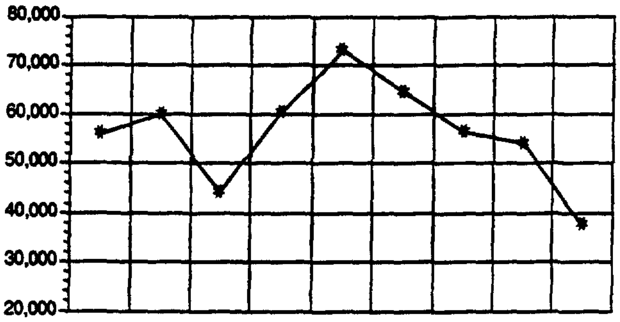


	SEPT 93	OCT 93	NOV 93	DEC93	JAN 94	FEB 94	MARCH 94	APRIL 94	MAY (PROJ)
Total Ku Band Shipments	800	4300	2100	4600	2300	3481	2628	156	60

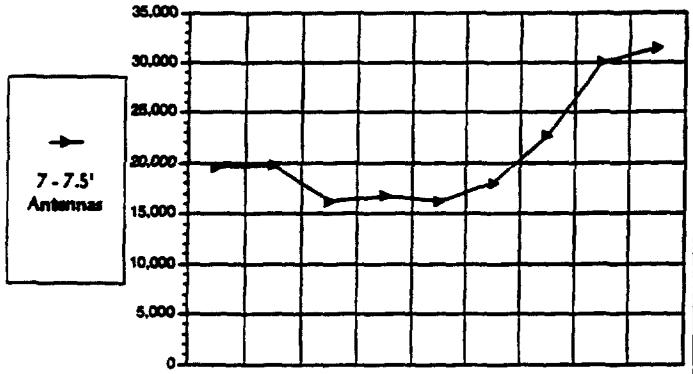


Total 10 & >10' Shipments	SEPT 93	OCT 93	NOV 93	DEC93	JAN 94	FEB 94	MARCH 94	APRIL 94	MAY (PROJ)
> 10'	801	769	824	1,300	400	777	872	521	1,355
10'	10,661	10,374	8,881	9,900	9,200	8,804	10,355	10,911	14,115

C Band

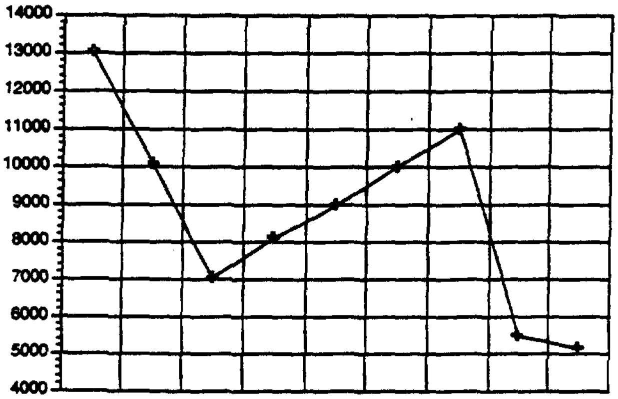


	SEPT 93	OCT 93	NOV 93	DEC93	JAN 94	FEB 94	MARCH 94	APRIL 94	MAY (PROJ)
Total C Band Shipments	56010	60022	44000	60111	73000	64543	56186	54110	37696

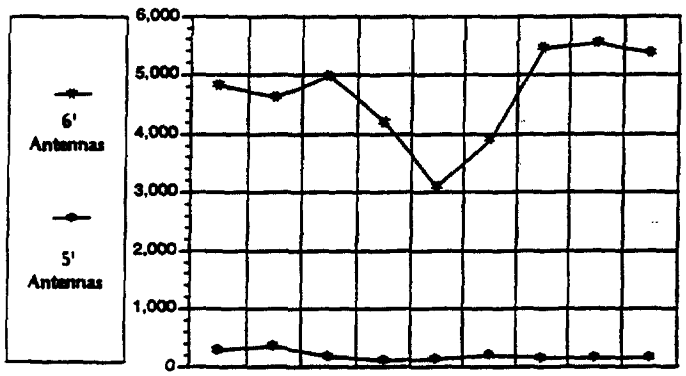


	SEPT 93	OCT 93	NOV 93	DEC93	JAN 94	FEB 94	MARCH 94	APRIL 94	MAY (PROJ)
Total 7' & 7.5' Shipments	19,601	19,771	16,231	16,750	16,200	17,988	22,888	30,085	31,462

C/Ku Band



	SEPT 93	OCT 93	NOV 93	DEC93	JAN 94	FEB 94	MARCH 94	APRIL 94	MAY (PROJ)
Total C/Ku Band Shipments	13011	10042	7005	8110	8967	10001	10974	5469	5150



Total 5' & 6' Shipments	SEPT 93	OCT 93	NOV 93	DEC93	JAN 94	FEB 94	MARCH 94	APRIL 94	MAY (PROJ)
6'	4,830	4,816	4,972	4,200	3,100	3,908	5,443	5,563	5,353
5'	278	365	173	100	136	187	160	149	150

CSS Looks to Strong C-band/DBS Future

With the DIRECTV/RCA/USSB launch now underway, *Mike Schroeder*, founder and CEO of **Consumer Satellite Systems** (CSS), predicts a profitable future for all DTH operators who learn how to "take advantage of the wave."

The "wave," of course, is DBS with its promise to bring home satellite into the thriving high-end segment of the consumer electronics market. Schroeder's CSS, which is one of five Sales Management Agents selected by RCA/Thomson, will serve the first DSS market as Jackson, Mississippi leads the nation into the long-promised DBS future.

As of mid-May, Schroeder had yet to see a single piece of DSS hardware in his warehouses, yet, he noted, orders for the equipment continue to pour in. In fact, "We expect to have more orders than product for the next six months," he says.

Over the last few months, as DBS has hit national magazines and airwaves, Schroeder notes that C-band sales have decreased slightly "especially in NRTC areas where they are marketing (DSS) aggressively."

Still, he says, the big-dish side of the business, which have fueled the grown of his own company from its start in 1981, will hold its own in the coming months and years if those distributors and retailers who are currently running anti-DBS ad campaigns abandon their negative slants for some enlightened self-interest.

"Smart C-band dealers won't bash their own industry," Schroeder says, reminding some of his peers of a key business adage. Instead of disparaging DBS as a weak sister in the DTH universe, Schroeder suggests that dealers without RCA contracts, "maintain a positive approach. That way they can take advantage of the swell in the industry."

Schroeder uses the auto industry as a good model for the coming DTH marketplace. "You see a lot of success in (the sales of) in high-end cars such as Audi and Lexus," he notes, "but to really succeed the auto industry also needs lower price cars. And when the guy who's bought a Chevy decides to trade up, that drives the high-end (or C-band) side of the business."

To turn this phenomenon into better big dish sales, Schroeder says, "C-band dealers (including those who do not sell DSS equipment) must position themselves as satellite experts for the entire DTH product line. That way they can take advantage of the wave that DBS will create."

For his own business, Schroeder intends not only to sell both C-band and DSS equipment, he also plans to market DIRECTV programming via the National Programming Services, which he launched after the first wave of scrambling in 1987. Today, NPS accounts for about half of Schroeder's business while C-band equipment sales make up the other half. And what does he expect his business mix to look like in the DBS-future?

It's still too early to tell, yet when SkyREPORT asked Schroeder if he might consider taking his company public, he replied: "As a businessman, that's something that always lurks in the background as a possibility, although I'm not doing anything to promote it now."

Still, he adds, "We have audited financial statements so we're ready to go. If we do go public it will be because we need some good reasons to raise cash. And that would happen only if we take a look at leasing or installations if the RCA (business) gets big enough."•

Facts & Figures

Consumer Satellite Systems
112 Shadowlawn Drive
Fishers, Indiana 46038
317/845-4400

Description:	Privately-held distributorship.
CEO:	Mike Schroeder
Primary Businesses:	One of nation's largest C-band distributors, CSS handles Uniden, Drake, Fujitsu, DX, Chaparral and HTS equipment. The company is also one of five Sales Management Agents for DSS equipment. Via National Programming Service, one of the largest independent program packagers in the US, CSS handles all C-band programming plus the company will represent DIRECTV. As an agent for Household Retail Services, CSS supports dealers efforts in financing satellite TV and other consumer electronics products.
Employees:	Approximately 200
Locations:	Ten distribution offices in mideastern U.S. Offices are in Fishers, IN (serving Indianapolis area); Evansville, IN; Grand Rapids, MI; Nashville, TN; Pittsburgh, PA; Lexington, KY; Baltimore, MD; Columbus, OH; Milwaukee, WI; and Savannah, TN.

SkyTRENDS Participants

Level 1

A&L Satellite
California Amplifier
Chaparral Communications
CSS/NPS
DirecTv
The Discovery Channel
DX Communications
Echosphere
EMI
ESPN
The Family Channel
General Instrument
Graff Pay-Per-View
Group W
HBO
Jones Satellite Programming
Liberty Satellite Sports
Lifetime
Netlink
NRTC
PrimeTime 24
Rainbow
Showtime
Southern Satellite
Superstar Sat.Entertainment
Thomson Consumer
Electronics (RCA)
Toshiba
Turner Broadcasting
USA Network
USSB
The Weather Channel

Levels 2 & 3

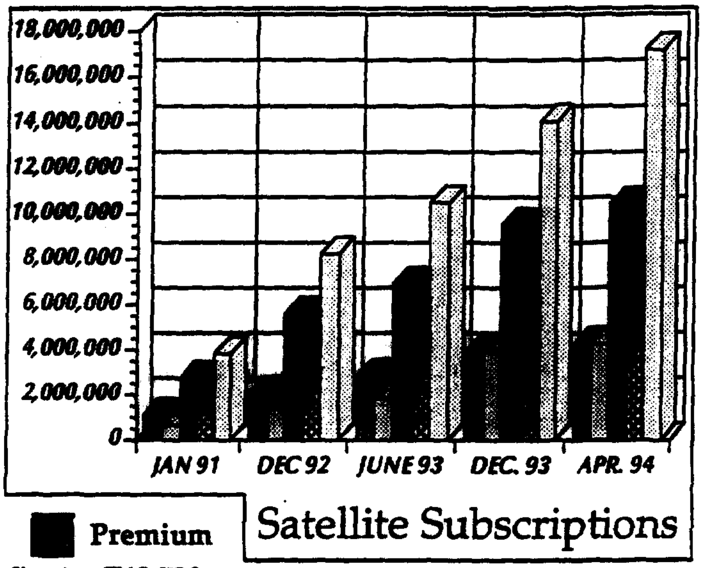
Earth Terminal	AT&T
O'Rourke Bros.	Fujitsu
Channel Master	Playboy
Eagle Satellite	Panasonic
News Datacom	Tee-Comm
The Disney Channel	A&E
Satellite Receivers	Fujitsu
Zenith Electronics	KTI
Winegard Company	R. L. Drake
Warren Supply Co.	A&L Satellite
Galaxy Programming	Uniden

C-Band Subs Soar in April

Superstations & Networks

NBC, CBS, ABC, WGN, KRMA, KWGN, KDVR, WPLG, WUSA, WWBZ, WTBS, WOR/WSBK, KTLA, KTVT/WPIX

APRIL — 10,371,471
DEC 93 — 9,459,428
JUNE 93 — 6,929,570
DEC 92 — 5,555,869
JAN 91 — 2,718,400



Family

MTV/VH1, Nick, USA, Discovery, TNT, A&E, AMC, Lifetime, Family Channel, Bravo, TMC, Nashville, CMT, SUR, Comedy, Int'l Channel, ABN, Gems

APRIL — 17,167,196
DEC 93 — 14,065,083
JUNE 93 — 10,481,436
DEC 92 — 8,223,685
JAN 91 — 3,856,735

Premium

Showtime, TMC, HBO, Playboy, Spice, Disney, First Choice, RDS, Encore, Flix, XTC, Spice2, Adam & Eve, Erotica, Cupid, SE/CF, Cinemax

APRIL — 4,245,874
DEC 93 — 3,851,502
JUNE 93 — 2,825,119
DEC 92 — 2,078,473
JAN 91 — 1,070,310

Sports

SportsChannels, ESPN, Satellite Sports Networks, SportSouth, Midwest Sports Channel, ESPN2

APRIL — 4,251,309
DEC 93 — 3,894,063
JUNE 93 — 1,786,795
DEC 92 — 1,428,884
JAN 91 — 678,790

News & Weather

CNBC, The Weather Channel, All News Channel, CNN, Headline News

APRIL — 3,503,282
DEC 93 — 3,091,367
JUNE 93 — 2,242,304
DEC 92 — 1,668,429
JAN 91 — 1,229,845

SkyTRENDS

A project of the
Satellite Broadcasting and Communications Association
in conjunction with
MEDIA BUSINESS CORP
SBCA President: Chuck Hewitt
SBCA Project Chairman: Scott Weiss, Turner Home Satellite, Executive VP and GM
Project Managing Director: Evie Haskell

SkyREPORT

A newsletter for the satellite broadcasting industry from
MEDIA BUSINESS CORP
607 10TH STREET, SUITE 103, GOLDEN, CO 80401
TELEPHONE: 303 / 271 - 9960 — FAX: 303 / 271 - 9965
PUBLISHER: PAUL MAXWELL
EDITOR: EVIE HASKELL — ASSISTANT EDITOR: JEFF TUDOR
SUBSCRIPTIONS $195/YEAR. FOR MORE INFORMATION CALL GINA RAYNE AT 303/271-9960

SkyREPORT is a monthly newsletter produced by MEDIA BUSINESS CORP for the Satellite Broadcasting and Communications Association's SkyTRENDS project.

SkyREPORT

[illegible] ry is [illegible] REPORT [illegible] ue [illegible] ata in the [illegible] must subscribe.

Please fill out and
a) mail to MEDIA BUSINESS CORP — 607 10TH ST., # 103 — GOLDEN, CO 80401; *or,*
b) fax to 303 / 271-9965; *or,*
c) call Gina Rayne at 303 / 271-9960

☐ ***Yes!*** **Sign me up today ... and bill me $195 for one year (12 issues)**

Name: ______________________ **Title:** ______________

Company: ____

Address: ______________________ **Suite:** ____________

City: __________________ **State:** ____ **ZIP Code:** __________

Telephone: (____) ______________ **Fax:** (____) ______________

SkyREPORT

A MEDIA BUSINESS CORP NEWSLETTER
607 10TH ST., SUITE 103
GOLDEN, CO 80401

FIRST CLASS
U. S. POSTAGE
PAID
DENVER, CO
PERMIT NO. 152

First Class Postage

SkyREPORT

May 1994
Volume 1; Number 4

Let The Games Begin

Amid technological breakthroughs and high hopes, budgets in the hundreds of millions of dollars, the sizzle of *P.T. Barnum* and some of the secrecy of *John le Carre*, the era of multi-medium media choices is upon us. With the first-round marketing efforts taking off, Sky-REPORT spoke with some key industry people to find out what the days ahead might bring:

#1 – C-Band & Direct Broadcast Satellite To Team Up for Sales

Well, perhaps not literally, but for future sales the C-band folks are definitely eyeing a ride on DBS' coattails. In fact, members of the **DTH Marketing Coalition**, a recently-formed group to promote C-band sales, generally refer to the coming C-band/DBS marketplace as a classic case of ye olde "everybody wins."

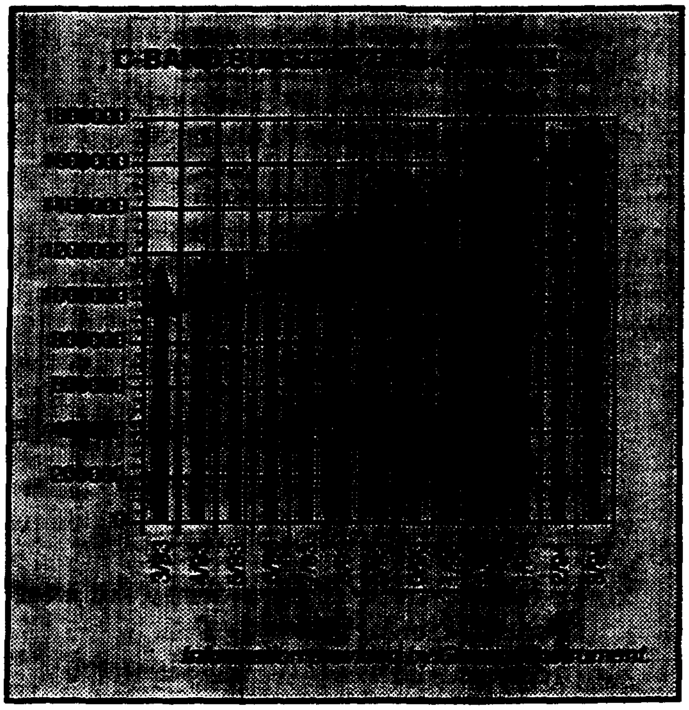
To wit: **Turner**'s *Scott Weiss* sees the coming DBS challenge as a "complementary" situation which both services stand to benefit from -- much as the first radio newscasts helped drive newspaper sales and, more recently, cable movies helped fuel a boom in theater going.

As a result, Weiss says, the Coalition is "approaching the entrance of DBS as an extension of the current product line" -- with DBS in a position to expand the market for everybody. All the same, as **Showtime**'s *Susan Denison* points out, "It behooves C-band companies to build on that (potential expansion) with their own marketing support."

To help boost C-band sales, the DTH Coalition will likely focus on:

#2 – Point-of-Purchase Promotions for C-Band

While this strategy is by no means set in stone, many knowledgeable observers expect C-band advertising to focus on in-store promotions rather than a national media blitz. In other words, as Coalition chairman and **HBO** Manager of Corporate Affairs *Matt Sappern* puts it, "We'll take a more strategic, guerrilla approach" than other, better-heeled efforts.



To accomplish this, the Coalition has hired the well-regarded **Stanford Consulting Group** and while the Group's plans won't necessarily focus on point of purchase, Sappern says that the agency won a three-way contest primarily because of their "phenomenal in-store materials."

#3 – Choice Leads C-Band Copy Points

To boost C-band sales amid the DBS ad blitzes, the medium will likely stress choice -- the much bigger array of channels that the the big dish offers, and will continue to offer, to its customers. To wit: Today's C-band systems carry some 300 channels ranging from Portuguese esoterica to Wiley Coyote to enough sports to keep thousands of sports bars happily in business. In addition, C-band enjoys the advantages of an open architecture technology so that, unlike the small DBS dishes, a C-band dish can view many different satellites. And since cable systems use C-band equipment to bring in their programming, even new cable channels are likely to show up on C-band systems.

Beyond this, some C-band proponents also say that the service wins on picture quality. As this reasoning goes, C-band transmits all the video information contained in programming while, in order to fit up to 10 channels in the signal once used for one, DBS's digital compression must remove certain artifacts from each frame. The result of the removed artifacts can be a slightly "softer" picture and, in some cases, fuzzy backgrounds. Others, however, dispute this point. (For more information, please see "Who's Got the (Best) Picture" on p 11.)

#4 – DBS Angle is Smaller Dishes/Lower Price – Question: Where and When?

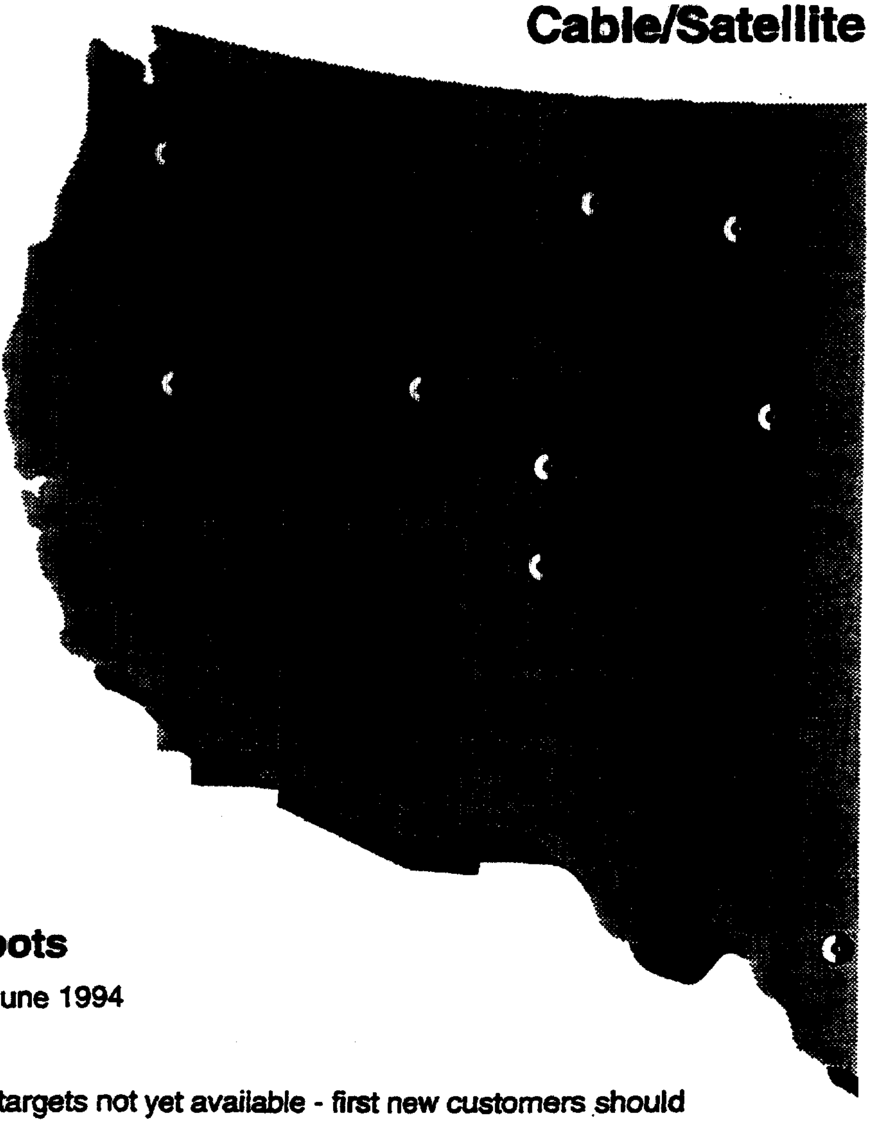
For their side of the C-band/DBS comparison, DBS proponents can (and do) point to their much smaller (18" or 36" vs 7') dish diameters plus their much lower ($700 to $850 for a consumer-owned DBS system; or $150 installation for **PRIMESTAR** leased system; all versus C-band's average of $2500 per household) prices as sure-fire advantages in drawing customers. While that much is clear, the small-dish DBS services have done their best to keep media types from learning much more. Still, a few details have emerged:

DIRECTV/USSB: Due to a series of hardly surprising (given the nature of any new venture) delays, the services using **RCA/Thomson** receivers and **Channel Master** dishes are aiming for a May/June launch to test markets. Industry reports name Albuquerque, NM, Shreveport, LA, Tulsa, OK, Jackson, MS and Little Rock, AR as the first five markets.

In fact, according to **CSS**'s *Mike Schroeder*, one of five small-dish distributors chosen by DIRECTV and RCA/Thomson, "Jackson will be the first city to be launched." Still, as of 4/22, Schroeder had yet to see one piece of equipment or a single in-store display. As to when things might begin happening, Schroeder says: "I know the DIRECTV interface is in, but not yet 100% tested. There are units out in beta test though I don't know the status of that." And when can consumers actually see DBS systems in Jackson stores? Schroeder verbally shrugs, "I would think some time in May."

PRIMESTAR: Meanwhile, this cable-company owned 36" dish service continues to upgrade its existing 70,000 customers from analog to digital boxes. The company expects to start signing new customers in early summer but where those first customers will be is anyone's guess.

Cable/Satellite



Satellite/Cable Hot Spots

= DirecTv/USSB initial targets, May - June 1994

= TCI digital compression, early 1995

? = Primestar MSO headquarters, initial targets not yet available - first new customers should begin hook-ups by summer

Highlighted states = 10 fastest-growing C-Band states from December 1993 through March 1994

Says PRIMESTAR spokesman *Al Levy*, "All the (PRIMESTAR-partner) MSO's are making their own plans" for where they'll market first. To date, no specific cities have been announced. However, when the time comes for marketing, PRIMESTAR can be counted on to boost massive sports programming plus the price advantages of its leased equipment.

#5 -- Cable Focuses on Fiber-Optic Future, Laments Current Fragmentation

Eyeing the David and Goliath nature of a home satellite/cable set-to, the cable giants, with their massive systems and millions of subscribers, are scrambling to implement their own new technologies. Namely the much-ballyhooed digital compression/fiber optic setups which will offer more choice -- including interactive data and telephony services -- to their customers.

The fact that such a set up could slow home satellite sales is of little doubt. Says Turner's Weiss, "Ten years out I expect the technology of choice will be fiber in the home." However, he adds, even in ten years only 50% -- at most -- of cable systems will be fibered and it will be well into the next century before all cable systems boast the optic-transmission technology.

But back to today: Fiber optics are still more hype than reality and one of the first fiber test systems in Orlando, FL recently had to push back its finish date due to technical difficulties. Despite this -- and the 700-page monkey wrench thrown by new **FCC** regulations -- **Tele-Communications Inc.** has named the 23 cities where it expects to offer its first fiber optic service by "early 1995." (See map.)

Hot Spots

Information provided by General Instrument, PRIMESTAR and TCI.

While waiting for fiber to come, cable companies are also seeking a more cohesive national identity to help them fend off the nationwide impact of satellite services. For example, speaking at the **CTAM** convention in Florida, TCI'S *Brenden Clouston* exhorted his fellow executives to help cable overcome its "fragmented" nature via a national branding for its many movie services. In addition, cable services are enviously eyeing the sports bar trade that C-band has built up so successfully. Looking for a piece of the (unregulated) action, cable companies want Congress to give them access to these markets.

#6 Broadcasters Emphasize Local

At the **National Association of Broadcasters** annual convention in March, **Capital Cities/ABC**'s *Charlene Vanlier* remarked that, for broadcasters, "Local programming and local libraries are going to be the key" to their place in a multi-medium future. In other words, local news, local weather, local sports, local everything will be the fare of future broadcast viewers.

Please turn to p. 11

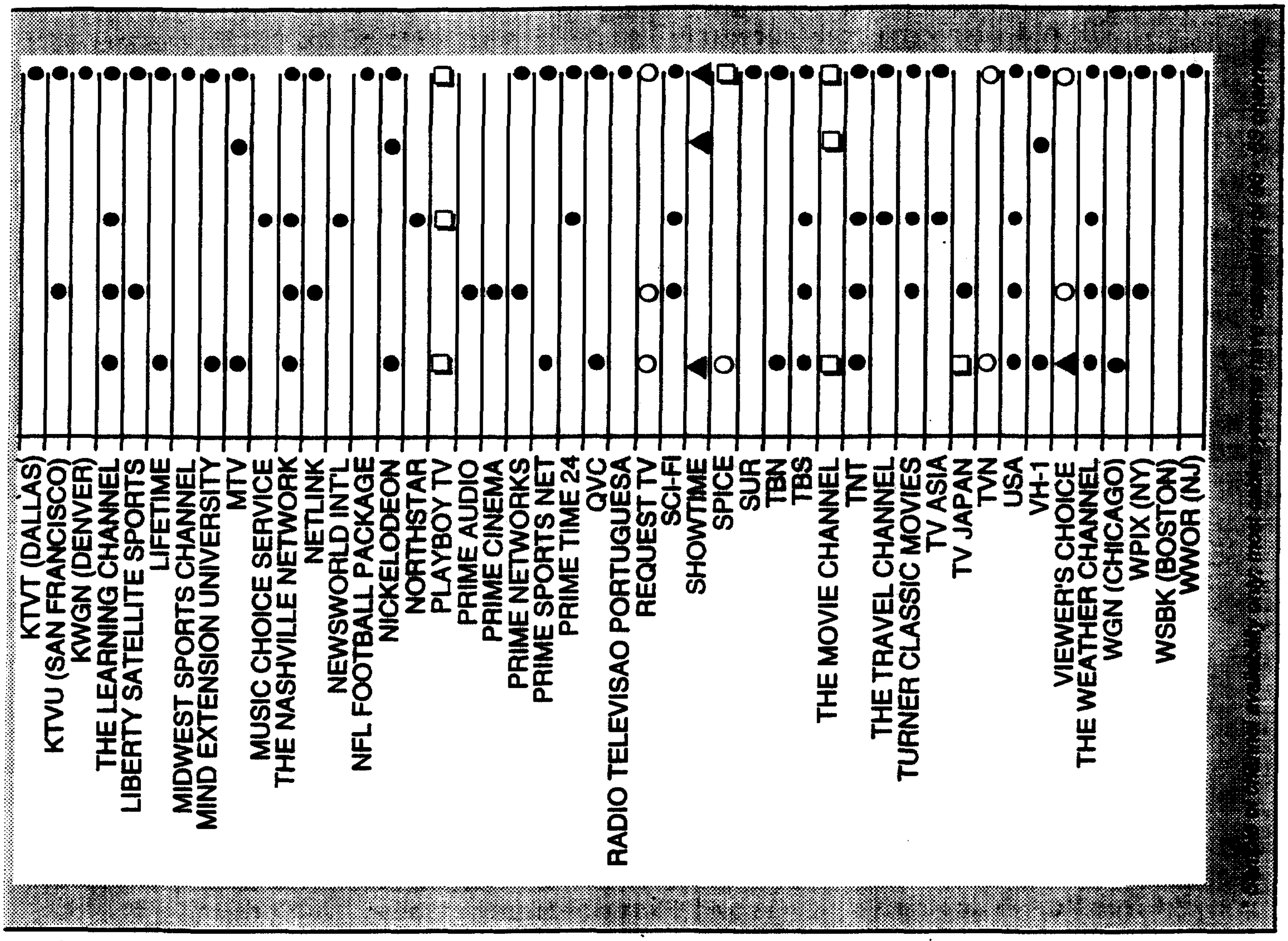
Who's Got What

Premium
○ = PPV

	CABLE	PRIMESTAR	DIRECTV	USSB	C-BAND
A&E	●		●		●
ACTION PPV					○
ALL NEWS CHANNEL				●	●
AMERICAN MOVIE CLASSICS	●				●
BLACK ENTERTAINMENT TV	●				●
BLOOMBERG DIRECT			●		
BRAVO	●				●
C-SPAN	●	●	●		●
C-SPAN2	●	●	●		●
CABLE VIDEO STORE					●
THE CARTOON NETWORK		●	●		●
CINEMAX	▲	▲		▲	▲
CMTV		●	●		●
CNBC	●		●		●
CNN	●	●	●		●
CNN INT'L		●	●		●
COMEDY CENTRAL	●		●	●	●
COURT TV	●		●		●
THE DISCOVERY CHANNEL	●	●	●		●
THE DISNEY CHANNEL	□	□	□		□
E! ENTERTAINMENT TV	●		●		●
ENCORE	▲	▲	▲		▲
ESPN	●		●		●
ESPN2					●
EWTN	●				●
THE FAMILY CHANNEL		●	●		●
FLIX	▲			□	□
THE GOLF CHANNEL			●		●
THE GREEK CHANNEL					●
HBO	▲	▲		▲	▲
HEADLINE NEWS	●	●	●		●
HOT CHOICE		●			
HOME SHOPPING NETWORK I	●				●
THE INT'L CHANNEL					●
JONES COMPUTER NETWORK	●				●
KTLA (LA)					●

Programming:

SEARCHING FOR THE *SIZZLE*



Among big dishes, little dishes, medium dishes, coax and fiber, price points and places one key element stands out as a numero uno customer catcher:

Programming.

Or, to paraphrase that old political slogan: Who's got the sizzle to catch the customers?

A little while ago, thanks to some off-the-cuff *John Malone* hyperbole, 500-channels was the talk of the town. Thankfully that has now been relegated to skeleton-in-the closet status while the attention turns to the question of programming mixes -- and who's got the mix to max their sales.

The chart on these pages represents key programming line-ups expected by this fall when big-bucks DBS advertising is slated to flood the airways as **DIRECTV, USSB** and **PRIMESTAR** launch their national rollouts.

In this chart we've focused on all DTH formats plus top cable programming, which we define as any service available to more than 20 million customers, plus the largest premium channels. Obviously, we cannot show all 300 channels available via C-band, so we've tried to pick the most-watched services. But don't forget that if what consumers want is a great place to graze with programming ranging from foreign-language channels to live coverage of space shuttle missions, then C-band is it.

But back to our major subject: Who's got the goods to get the customers?

(✦ **Because** of the many new channels coming into service, we will revise this chart at year end. 11" x 17" copies of this chart are available from SkyReport 303/271-9960.) Data from **Orbit, NCTA Cable Television Developments** and various services.)

Starting at the bottom of the chart and moving up:

The old (and immensely successful) stand-by with 50 to 60 million U.S. subscribers and tentacles reaching from big cities to small towns, cable has as its hole card an ability to deliver local programming (particularly news and weather) to local customers without the need for an off-air antenna. Satellite, by its nature, can't duplicate that -- a fact that cable cos will undoubtedly stress as DTH moves into high gear this fall.

However, while literally hundreds of channels are available to cable systems, any given system can offer only a sliver of that: According to the **NCTA**'s Cable Television Developments factbook, nearly 90% of all cable systems offer less than 54 channels -- with 10% offering less than 20 channels. And with must-carry regs grabbing more channels, that means the top choices are often not available -- and cannot be until the wide-spread introduction of digital compression and fiber optics another decade hence.

Conceived as a cable-company adjunct for places where cable won't reach (the service's owners list reads like a MSO Who's Who), PRIMESTAR plans to offer some 75 channels across the U.S. by this fall. Waving the sports banner high, the service will feature a number of kicking-bouncing-running channels including **Liberty**'s **Satellite Sports Networks** and **SportsChannels** packages with their combination of 24 regional and national all-sports networks.

On the programming downside, PRIMESTAR has missed connecting with such popular **Viacom** programming as **MTV, Showtime, Nickelodeon** and **Nick at Nite.** To make up for this deficit, PRIMESTAR's dishes will bring viewers loads of movies in the form of multiplexed **HBO, Cinemax** and **Encore** channels plus the service will carry several pay-per-view offerings.

The big kahuna (in channel numbers and dollars) of the small dish set, DIRECTV will offer, by this fall, some 75 channels with another 75 due to log on next year. The service's programming line-up is heavy -- very heavy -- on the perennial favorite of movies as this year's offerings will include some 15 to 20 channels of pay-per-view programming with another 20 to 30 PPVs slated for 1995. In addition, DIRECTV boasts both **ESPN** and **The Golf Channel** for sports buffs.

Next year the **GM Hughes Electronics** unit will also carry niche programming from the **Physicians TV Network**. (And if you think they're wasting channel space with this, think again: 100,000 doctors will be the initial recipients of the programming with which they will receive free **RCA/Thomson** receivers and **Channel Master** dishes . With this in place, they may naturally wish to order entertainment programming which boosts customer base, increases word-of-mouth advertising and ... well, you get the idea.)

DIRECTV's sister service (in the sense of shared satellite and home equipment only!), USSB pulled off a major coup a year or so ago when it snagged both **Time Warner**'s and **Viacom**'s premium programming for itself. Thus, at least until DIRECTV convinces these companies to sign on the dotted line or until (and if) *Charlie Ergen*'s much-speculated **EchoStar** DBS service arrives, USSB will be the only small dish service to carry such favorites as HBO, Showtime, Cinemax, **Flix**, **MTV**, Nickelodeon and **VH-1**.

With this programming (all top vote-getters among cable services), USSB looks like a sure bet for those drawn to the aesthetics of a small dish especially since the service can be received over the same equipment as DIRECTV.

Last but definitely not least, C-band systems have been and, for the immediate future anyway, will be the majordomo purveyors of choice. Some 300 channels of programming are already available via the big (seven-foot average) C-band dishes. Premium channels, speciality channels, pay-per-view, mega sports, foreign programming and more all fall in this bailiwick. In fact, because of C-band's enormous capacity, the much-anticipated NFL channel will be available this fall. In addition, over the next six months or so, C-band could also capture another 10 to 20 new speciality channels such as **The Game Channel, The History Channel**, **The Military Channel**....•

Correction...

In the March issue of SkyREPORT, superstation KTLA was listed as a service of EMI Communications. KTLA is uplinked by Superstar Satellite Entertainment and is not affiliated with EMI.

Scouting Report: Financing Wrap, Bored Albanians & More

USSB wraps up its financing with more than 2x what had been intended. With $42 million from a group lead by investment-guru, *George Soros;* another $7.5 million from **Marvin Windows and Doors**, plus a reported (but unconfirmed) $20 million from *Paul Allen*, USSB has amassed some $140 million from outside investors.

United Video Satellite Group saw a 249% net income gain for 1993 over 1992. The company's home satellite revenues jumped some 179% while Prevue Networks saw revenue soar by $1.9 million, thanks in large part to nearly 2x national advertising increase.

Meanwhile, the company's **Superstar Satellite Entertainment** has been picked by **DIRECTV** as the programming sales agent for all independent consumer electronics retailers and select national and key accounts. Via Superstar's telemarketing and computer back-room services, independent dealers will be able to offer the service's Personal Choice and Total Choice packages at the same time that new DSS equipment is sold.

Transponder space is going fast as, by end of first quarter, nearly 93% of C-band and 89% of Ku-band transponder space is occupied. The tight margins come mainly from increasing carriage of broadcast and cable networks but also because of need to replace disabled Canadian Anik-2 satellite. Nearly one-half of transponders are used for video services.

National Football League says its "Sunday Ticket" package which will carry all Sunday afternoon regional telecasts (except in cases where NFL black-out rules are in effect), will go via satellite to both private homes and sports bars and will cost anywhere from a low of $100/season for households to $2,500/season for biggest sports bars. The service will be seen only on C-band this fall; may go to DIRECTV by next year; and won't show on cable systems until capacity problems are cleared up.

Albanians are snapping up satellite dishes faster than you can say *"Arnold Schwarzeneger,"* one of their favorite stars. Despite system costs of between $180-$210 (more than 3x the average monthly wage), some 25,000 satellite systems have sold since their introduction two years ago. Dishes even go out strapped to the backs of donkeys -- and it isn't because a sudden prosperity has lit upon this small country at the eastern edge of the Adriatic sea. Rather, a lack of other leisure activities plus a feeling of isolation have fueled the skyward trend.•

SkyTRENDS

A project of the **Satellite Broadcasting and Communications Association**
in conjunction with
MEDIA BUSINESS CORP
SBCA President: Chuck Hewitt
SBCA Project Chairman: Scott Weiss, Turner Home Satellite, Executive VP and GM
Project Managing Director: Evie Haskell

SkyREPORT

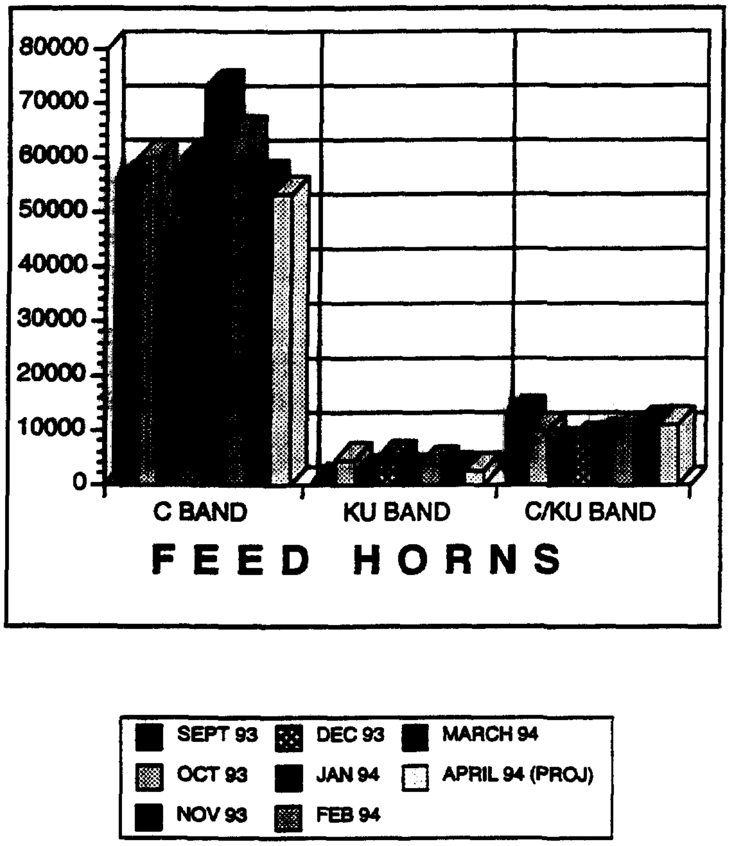
A newsletter for the satellite broadcasting industry from
MEDIA BUSINESS CORP

607 10TH STREET, SUITE 103, GOLDEN, CO 80401 — TELEPHONE: 303 / 271 - 9960 — FAX: 303 / 271 - 9965
PUBLISHER: PAUL MAXWELL — EDITOR: EVIE HASKELL — ASSISTANT EDITOR: GAIL COLBERT
SUBSCRIPTIONS $195/YEAR. FOR MORE INFORMATION CALL GINA RAYNE AT 303/271-9960

SkyREPORT is a monthly newsletter produced by MEDIA BUSINESS CORP for the Satellite Broadcasting and Communications Association's SkyTRENDS project. The newsletter seeks to provide up-to-date business trend and statistical information for the financial community, members of the home satellite industry and all others interested in this business.

We would like to hear your comments and suggestions and would deeply appreciate any reports, data or other information that you might be willing to share. Confidentiality is guaranteed where requested.

Strong March Sales Lead Continued Growth for



Data gathered expresses equipment sales from September, 1993 to April, 1994.

Following a tough January/February period where winter freezes kept new equipment installs down, the home satellite industry saw sales soar in March with all system components but feedhorns posting significant gains.

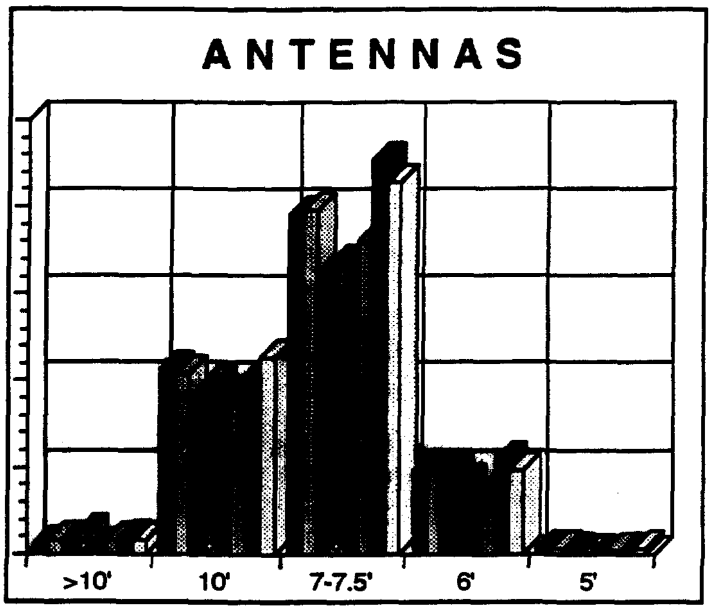
At the same time, gross new subscription sales, as reported by **General Instrument**, rose by nearly 10,000 over February.

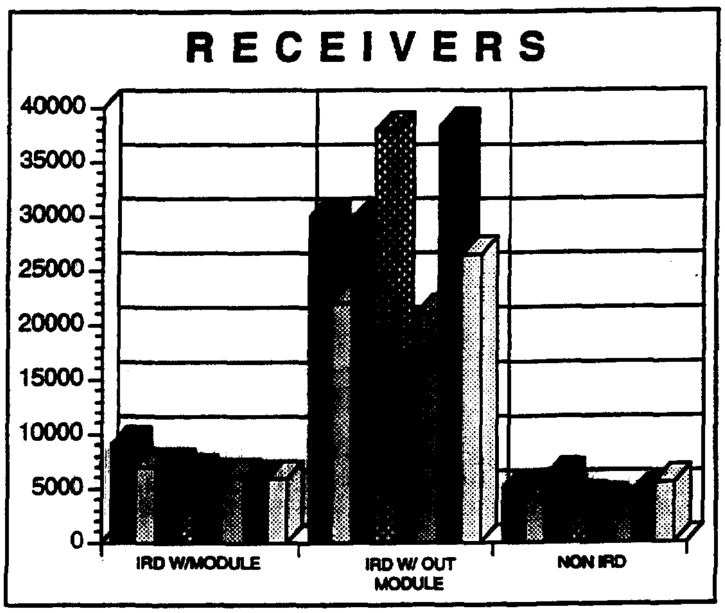
As has been true for some time, conversions accounted for a significant proportion of the sales -- with GI estimating that some 40% of new subscription sales come from consumers who formerly used pirated equipment. The conversion ratio from pirate to paid should begin to shrink this summer as -- thanks to VideoCipher II+ and continuing encryption measures -- the former pirate population continues to dwindle.

Looking ahead, equipment manufacturers are predicting a sharp decline in the number of receivers sold to retailers in April, and theories to explain this abound.

For example, *Noel Dill* of **INTERTECH Satellite Systems** blames the gloomy forecast on the frigid weather that rocked the east coast this past winter.

"Coming off a strong fourth quarter, everybody probably envisioned a continuation (of





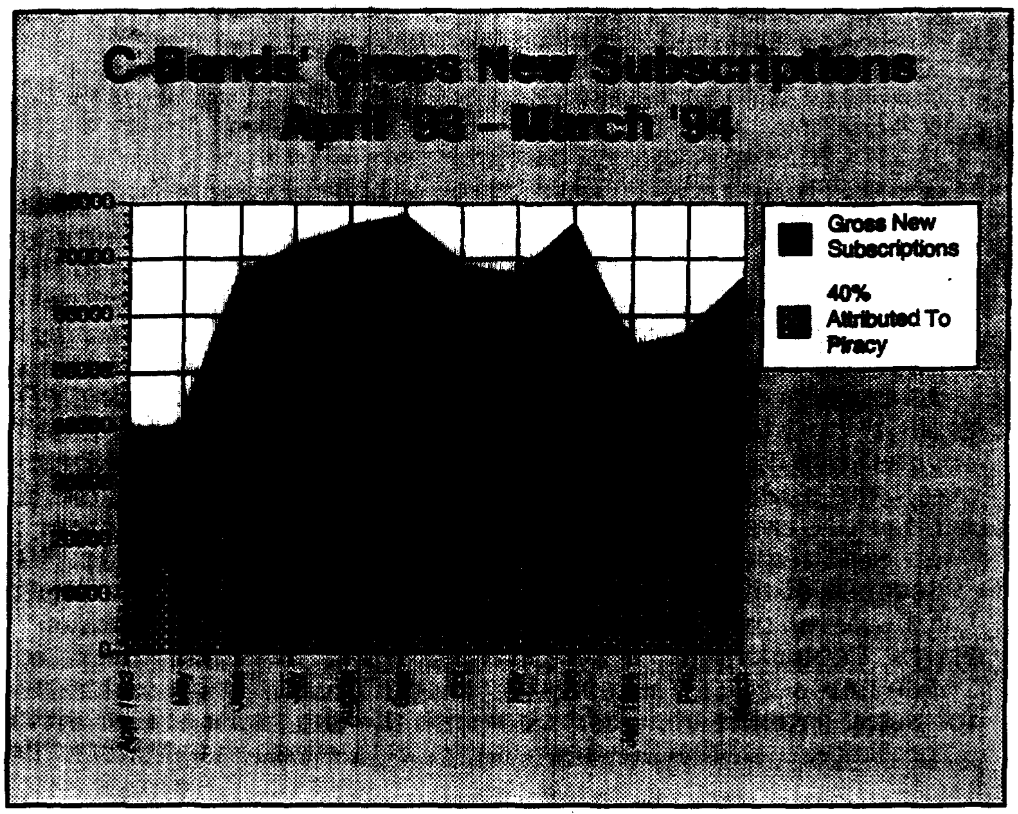
Projected April Decline

C-Band Subs

solid sales figures) and they adjusted their orders accordingly," he said. But then "the weather affected everybody's ability to put the product in the ground, and now inventory levels are higher than projected." Thus new equipment sales are stalled until inventory goes down.

Other satellite retailers blame the hoopla surrounding DBS dishes for the decline in projected sales, predicting that C-Band sales will be tougher in the next few months as some would-be buyers wait for the arrival of "the little dish."

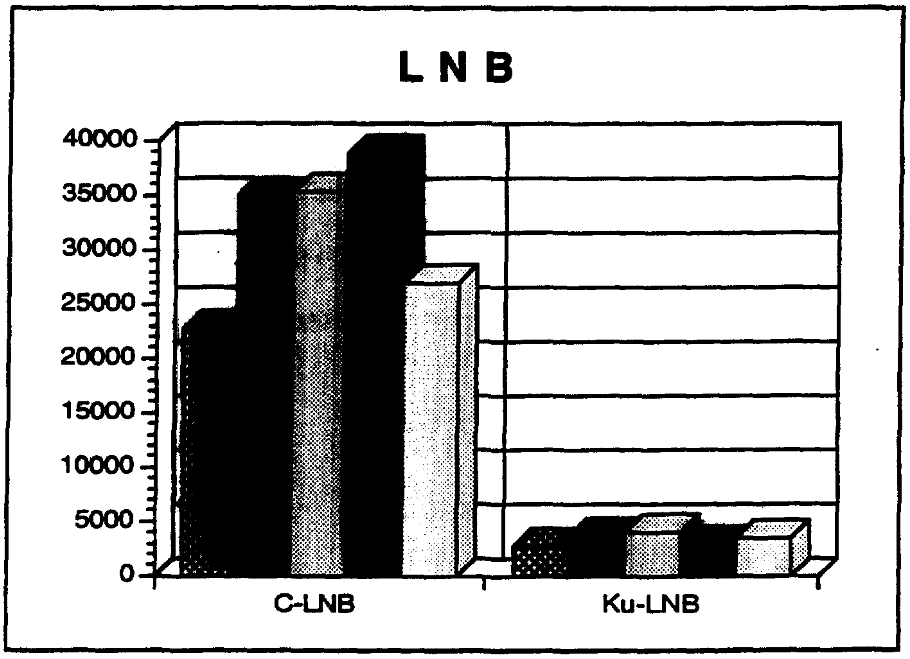
Still others, however, say there may be no one explanation for the manufacturers' gloom.



How accurate are predictions? For receivers, projected numbers come within 85 to 99% of actual sales.

Said **Satellite City's** *Mike Massey*, "If you talked to 10 different people you would get 10 different answers. I've been in this business for 12 years and this is always a slow time of the year. Sure, you can speculate about DBS, but it would be just that – speculation."

Still another question, of course, is how accurate are these predictions anyway? Our past experience shows that receiver sales tend to be one of the more unpredictable factors, with prediction accuracies ranging from a high of 99% in February, 1994 to a low of 85% in March.•



Company Profile:

Landmark's Changing Outlook for DTH

As new DTH players step up to the plate, privately-held **Landmark Communications Inc.** has plotted two major changes in its home-satellite programming.

The first, scheduled for an early May launch, has changed the weather outlook for the company's 1.3 million direct-to-home customers. Since local weather is what many -- if not most -- viewers tune in for, Landmark has boosted its satellite offerings via a new regional format. This format will replace the service's previous current conditions reports on 24 top travel cities.

As explained by Landmark Director of Special Market *Kevin Fenton*, the regional weather product "will feature current conditions and forecasts for nine different regions" with each area covered two or even three times during an hour. Via satellite pictures, radar and graphing maps, the new service will provide regional weather forecasts for the coming 24 hours plus it will feature two or three zoom-in radars for closeups of storm areas. To add a further local bent, each regional service will include specific forecasts for 19 cities within its boundaries.

Because of the nature of radar and satellite pictures, the boundaries of the nine areas overlap, however the regions can be described loosely as: Southeast; Mid-Atlantic; Northeast; South Plains; Central Plains; Midwest; North Plains; Southwest; and Northeast.

The new service, Fenton says, "should greatly improve the usefulness of our programming for home satellite viewers." And with the channel's availability on **C-band**, **DIRECTV** and **PRIMESTAR**, Fenton expects to see continued strong growth in the Weather Channel's home satellite market.

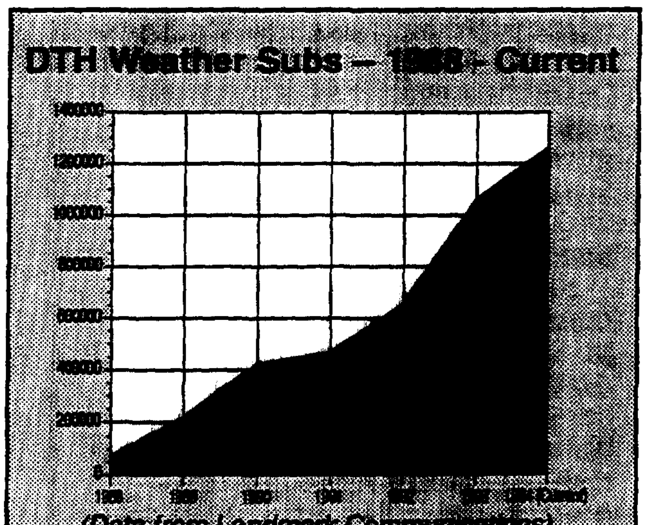
Meanwhile, Landmark's other key network, The Travel Channel, plans a move from free to scrambled programming this summer. Tests will begin on June 6 with fully-scrambled service expected by July 25. The company is negotiating with backyard dish program packagers to distribute the channel to home sat viewers.•

Facts & Figures

Landmark Communications Inc.

150 West Brambleton Avenue
Norfolk, Virginia
804/446-2000

Description:	Privately-held media company.
Holdings:	Nine daily newspapers, 30+ non-daily newspapers special publications, TV broadcasting and cable/home satellite programming.
Programming:	The Weather Channel, The Travel Channel, KLAS-TV, WTVF-TV
Employees:	5,000
1993 Operating Revenues:	$400,000,000
Company Head:	Michael J. Eckert (CEO for Landmark's Broadcasting and Video Enterprises)



(Data from Landmark Communications)

Games continued...

That strategy, of course, is nothing new. In fact, it's been blossoming for some time as, for example, in the past few years, Denver's late night news shows have sprouted into morning, noon, early afternoon, evening, night and even late-late news, sports and talk fests.

Thanks to must-carry regulations, cable companies also harp heavily on local news and weather availability -- pointing out that satellite cannot offer such programming.

True enough, but as Weiss explains, "That situation is probably being over-dramatized." After all, he notes, most markets can get good over-air signals from local broadcasters, "and if all you want is local news, than the quality should be satisfactory." The task for home satellite services and retailers, he adds, "is to make over-air reception as transparent as possible." -- a job that, in most cases, can be easily accomplished.•

Who's Got the (Best) Picture?

Is analog better than digital, or vice versa? For some time that's been a good blood-pressure raiser as digital folks discuss the precision of their video while analog proponents treasure the ability to transmit a "full signal."

So who's right? It depends (you didn't expect this to be simple, did you?) on many factors. To start with, there's the actual process of digital compression which removes signals from each video frame in order to compress more data on a single satellite transponder. (With analog signals one transponder transmits one video channel; with digital compression the ratio may reach 10 or higher.)

Says **Turner's** ***Wes Hanemayer***, "If you look at a properly installed C-band system you'll see a much better picture than with digital compression." This, he explains, is because the compression of signals removes certain artifacts from the picture -- thus reducing its quality particularly with fast-moving sports events where the players may appear clearly while the crowd is reduced to a colorful fuzz.

On the other hand, at **HBO**, *Bob Zitter* says, "There are digitally compressed TV signals which are comparable to analog, if the signal is transmitted at certain data rates." In fact, he remarks, in Latin America and in the U.S., where HBO transmits a total of six of its networks digitally "some people say the picture quality is better."

As for HBO's DBS transmissions, Zitter says, "Our expectation is that the digitally compressed data rate will meet certain quality requirements written into the contract. That is, there will be no degradation compared to analog."

When digital equipment becomes available on C-band systems, HBO will provide also compressed video for those users. However, for older C-band systems, Zitter reassures, "We'll keep the analog picture for a long, long time."•

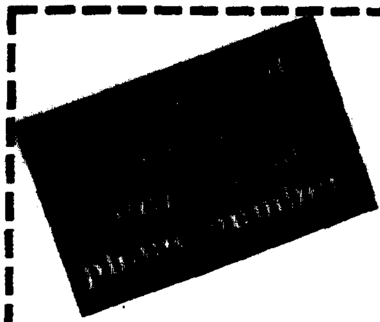
SkyTRENDS Participants

Level 1

A&L Satellite
California Amplifier
Chaparral Communications
CSS/NPS
DirecTv
The Discovery Channel
DX Communications
Echosphere
EMI
ESPN
The Family Channel
General Instrument
Graff Pay-Per-View
Group W
HBO
Jones Satellite Programming
Liberty Satellite Sports
Lifetime
Netlink
NRTC
PrimeTime 24
Rainbow
Showtime
Southern Satellite
Superstar Sat Entertainment
Thomson Consumer Electronics (RCA)
Toshiba
Turner Broadcasting
USA Network
USSB
The Weather Channel

Level 2 & 3

A&E
The Disney Channel
Earth Terminal
Galaxy Programming
KTI
O'Rourke Bros.
Panasonic
Playboy
Warren Supply Company
Zenith Electronics
AT&T
Channel Master
Eagle Satellite
Fujitsu
News Datacom
R. L. Drake
Satellite Receivers
Tee-Comm
Winegard Company



To Subscribe To

SkyREPORT

Please fill out and

a) mail to MEDIA BUSINESS CORP — 607 10TH ST., # 103 — GOLDEN, CO 80401;

or,

b) fax to 303 / 271-9965; *or,*

c) call Gina Rayne at 303 / 271-9960

Yes! **Sign me up today ... and bill me $195 for one year (12 issues)**

Name: ______________________ **Title:** ______________

Company: ______________________________________

Address: ______________________ **Suite:** ______________

City: __________________ **State:** ____ **ZIP Code:** __________

Telephone: (____) ______________ **Fax:** (____) ______________

SkyREPORT

A MEDIA BUSINESS CORP NEWSLETTER
607 10TH ST., SUITE 103
GOLDEN, CO 80401

FIRST CLASS
U. S. POSTAGE
PAID
DENVER, CO
PERMIT NO. 152

First Class Postage

SkyREPORT

April 1994
Volume 1; Number 3

Top News, Fireworks, C-Band/ FSS/DSS Skirmishes and More ...

... A SkyFORUM Reprise and Update

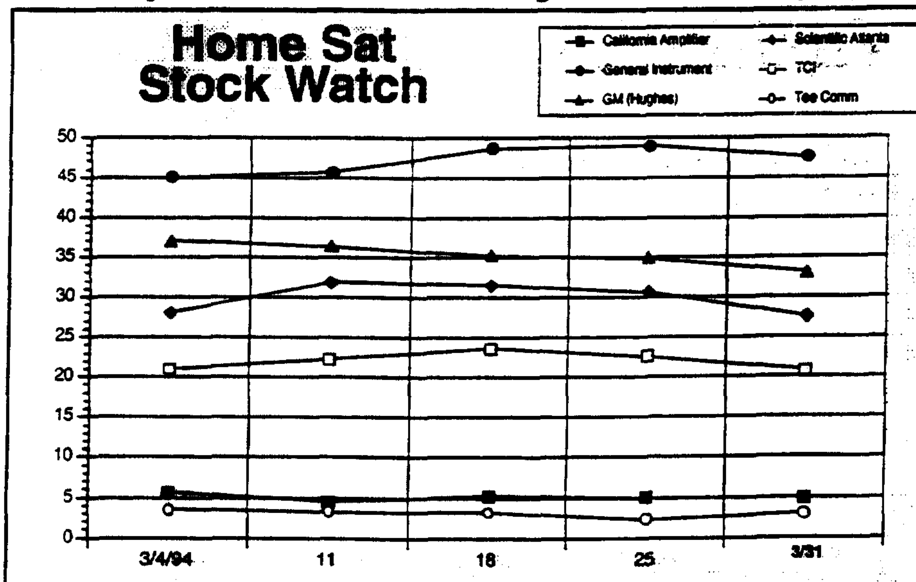
On March 15th, in New York City, approximately 350 analysts, business leaders, media types and curiosity seekers came to the first SkyFORUM, a day-long seminar dealing with the rapidly emerging opportunities in today's home satellite industry.

Industry leaders used the occasion for several key announcements including....

HOT NEWS: A "definitive no comment" led the day as **Echosphere** CEO *Charlie Ergen* sat uncharacteristically silent after explaining that he had just entered a SEC imposed quiet period. As it turned out, Ergen's **EchoStar Communications Corp.** had just filed a $335 million debt offering (underwritten by **Donaldson, Lufkin and Jenrette**) in order to raise capital for the launch and programming needs of its proposed DBS venture. Aiming for a 1995 launch, the service's strategy calls for a $20/month mix of 25 basic cable networks, plus premium and pay-per-view services. Under current plans, equipment for the DBS service will cost between $500-$900 or can be leased for about $10/month.

On a later panel, **PRIMESTAR** President *John Cusick* announced his MSO-funded service's acquisition of $565 million in bank credit led by **Bank of New York** (any help from board member and PRIMESTAR partner *John Malone*?), **Citibank NA** and and **Chemical Bank**. Since that time, PRIMESTAR has begun switching its current 70,000-some customers to the all-important (in numbers of channels) digital technology with plans to start adding new customers in late spring or early summer.

Finally, *Ron Bernard*, president of **NFL Enterprises Inc.** used the meeting to unveil his company's plans to offer 10 to 12 games per week (barring blackouts) at a cost of $100 to $150 per 17-week season. Although Bernard will first target C-band customers, he added that he's "talking" to DBS services and in a later conversation admitted that the service may appear on high-tech cable systems such as Orlando and Castro Valley.



This chart represents a cross-section of the industry.

BEST NEWS: Best news of the forum was the health of today's home satellite biz. Said **HBO** Senior VP *Bob Zitter*, "This has been the best year (for home satellite) since we've been in the business." Added **Toshiba**'s Director of Sales and Marketing *Chris Walczak*, "The (overall) business is up substantially since 92-93." Such good-news, repeated throughout the meeting, is generally bolstered by home satellite-related companies relatively minor drops during the late March market slide.

NEW NEWS: DIRECTV Pres *Eddy Hartenstein* used the seminar to remind attendees of a planned unveiling of the DIRECTV uplink facility in Castle Rock, CO. On schedule, March 31, the Hughes satellite (known as "death star" to cable co's) beamed pictures to a media and industry bigwig-studded event. Speaking of DIRECTV's place on the "Information Super Skyway," Hartenstein announced plans to sign customer #1 in "six to eight weeks" (a not-unexpected stretching of the original mid-April date). Hartenstein also discussed plans for a staged rollout over the next year aiming at a projected "three million customers by the end of '96." By that time, Hartenstein said with an almost straight face, the new DBS venture will be "cable's friend" as true competition triggers a "rate regulation sunset" for the rival industry.•